The purpose of this notice is to explain the Canada Revenue Agency’s administrative approach with respect to the definition of marketable natural gas provided under section 3 of the Greenhouse Gas Pollution Pricing Act (the Act).

The Department of Finance is prepared to recommend to the Minister of Finance amendments in respect of the definition of marketable natural gas to allow natural gas that is not at least 90% methane to be considered marketable natural gas. The remaining condition for natural gas to be considered marketable natural gas is that the natural gas meet the specifications for pipeline transport and sale for general distribution to the public.

This proposal may affect certain businesses that are currently registered (or required to be registered) under the Act. The effective date of this proposed approach is January 1, 2020.
Registered persons or persons that are required to be registered under the Act should carefully review the information contained in this notice since a clear understanding of the legislative provisions is key to remaining compliant with the Act.

The information in this notice is for reference purposes only and does not replace the Greenhouse Gas Pollution Pricing Act or its regulations. The information in this notice is based on a letter issued by the Department of Finance to the Canada Revenue Agency (CRA), in which it outlines the proposed amendments in respect of the definition of marketable natural gas that the Department of Finance is prepared to recommend.

Any reference to “the Act” in this document refers to the Greenhouse Gas Pollution Pricing Act. Should there be any discrepancy between the information in this notice and the legislative provisions in the Act or its regulations, the legislative provisions apply.

Any commentary in this publication should not be taken as a statement by the CRA that the proposed amendments will be made in its current form.

**Issue**

Currently **marketable natural gas** (MNG) is defined under section 3 of the Act as **natural gas** that consists of at least 90% methane and that meets the specifications for pipeline transport and sale for general distribution to the public. **Non-marketable natural gas** (NMNG) is defined as natural gas other than MNG.
It has become known that some natural gas being distributed to the general public does not meet the 90% methane content threshold and would therefore be subject to the higher NMNG fuel charge rate.

In response to feedback from industry, the Department of Finance is prepared to recommend to the Minister of Finance amendments in respect of the current definition of MNG in order to remove the 90% threshold of methane content with respect to MNG effective January 1, 2020. To that end, the Department of Finance issued a letter to the CRA in which it outlines the proposed amendments. A reproduction of the letter is provided as an appendix to this notice.

CRA administrative position

Based on this letter, effective January 1, 2020, the CRA will administratively consider MNG to mean natural gas that meets the specifications for pipeline transport and sale for general distribution to the public regardless of the methane content. This position will remain in effect until such time as the rules in respect of the definition of MNG may be amended as proposed in the letter from the Department of Finance to the CRA or the letter is rescinded.

If the amendments, as proposed, are not made, the CRA could reassess and collect the difference between the applicable charge on NMNG and the applicable charge on MNG for natural gas delivered in accordance with the Act or its regulations, and that does not meet the conditions for MNG as currently defined in section 3 of the Act.

Fuel charge rates
Under the Act, there are different rates of fuel charge that apply to MNG and NMNG.

For more information on the applicable fuel charge rates, go to Fuel Charge Rates.

Enquiries

For any questions related to the Greenhouse Gas Pollution Pricing Act, contact the following office:

Excise Duties and Taxes Division
Excise and GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville Tower A 11th floor
320 Queen St
Ottawa ON K1A 0L5
Phone: 1-866-330-3304 (option 2)
Fax: 1-613-954-2226

APPENDIX – Letter from the Department of Finance to the CRA

2020FIN493306

January 31, 2020

Mr. Geoff Trueman
Assistant Commissioner
Legislative Policy and Regulatory Affairs Branch
Canada Revenue Agency
320 Queen Street
6th floor
Ottawa ON  K1A OL5

Dear Mr. Trueman:

This letter addresses the fuel charge treatment of natural gas under the Greenhouse Gas Pollution Pricing Act (GGPPA) that has been the subject of recent discussions between officials of the Sales Tax Division of the Department of Finance and the Excise Duties and Taxes Division of the Canada Revenue Agency (CRA).

The issue is related to the definition of marketable natural gas for purposes of the federal fuel charge. Under the GGPPA, there are different rates of fuel charge that apply to marketable and non-marketable natural gas. Currently, marketable natural gas is defined as natural gas that consists of at least 90% methane and that meets the specifications for pipeline transport and sale for general distribution to the public. Non-marketable natural gas means natural gas other than marketable natural gas.

It has come to light that some natural gas being distributed to the general public does not meet the threshold test for methane content and would therefore be subject to the rate applicable for non-marketable natural gas. This would be inconsistent with the policy intent of applying the marketable natural gas rate to fuel that is delivered to the general public.

To address this issue, the Department of Finance is prepared to recommend to the Minister of Finance amendments that would have the effect of removing the application of the 90% threshold test for methane with respect to marketable natural gas. The Department is also prepared to recommend that the amendments be deemed to apply effective January 1, 2020.
It is my understanding that the CRA will contact any charge-payers to obtain information that will help in developing a sustainable administrative position and, where necessary, publish information reflecting the Department of Finance's intention in its forms and publications addressing the federal fuel charge.

Yours sincerely,

ORIGINAL SIGNED BY

Brian Ernewein
Assistant Deputy Minister, Tax Legislation
Tax Policy Branch

Further information

For all technical publications related to the Greenhouse Gas Pollution Pricing Act and its regulations, go to Fuel charge technical information.

To make a technical enquiry on the fuel charge or for additional information on the application of the fuel charge for each type of registration, go to Contact Information – Excise Duties, Excise Taxes, Fuel Charge and Air Travellers Security Charge.

Date modified:
2020-02-21